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World Chronicle

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Head, Human Development Network
World Bank

JOURNALISTS: Ian Williams, *Tribune* (London)
Afsane Bassir Pour, *Le Monde*

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HUMAN DEVELOPMENT NETWORK

Recognizing that no country can achieve sustainable economic growth or poverty reduction without healthy, well-educated and well-nourished people, the World Bank has made investment in people at the heart of its development strategy. To that end, the World Bank works closely with national governments, United Nations agencies, non-governmental organizations and other civic groups. David de Ferranti, World Bank Vice President and Head of the Human Development Network discusses a wide range of issues related to the Bank's activities in the area of human development.

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ANNOUNCER: From United Nations Headquarters in New York, this is **World Chronicle**, an unedited interview programme about major global issues. Here now to introduce our guest is the host of today's **World Chronicle**.

LITTLEJOHNS: I'm Michael Littlejohns, and this is **World Chronicle**.

There is no doubt that a healthy and educated population is the foundation for poverty reduction, economic growth and overall well being. But as we approach the new millennium, there are many countries, especially in the Third World, that still lack these vital ingredients for sustainable economic growth and social development.

Our guest today represents a major international financial institution, that works with governments to achieve sustainable progress in reducing poverty, promoting growth and improving the quality of people's lives, particularly in developing countries. He is David de Ferranti, World Bank Vice President and Head of the Human Development Network.

Joining me to talk with Mr. de Ferranti are Ian Williams of the Tribune of London and Afsane Bassir Pour of Le Monde.

Mr. de Ferranti, welcome to World Chronicle.

de FERRANTI: Thank you. Pleasure to be here.

LITTLEJOHNS: Mr. de Ferranti, the World Bank in the past has been the subject of some criticism because of rather onerous conditions for financial assistance to developing countries. Which some people have argued risk the possibility of social upheaval and protest movements and general weakening of authority. Has the creation of your Human Development Network anything to do with those criticisms?

de FERRANTI: Well, the Bank is a new bank. We have changed, we continue to change the creation of the Human Development Network, which is the group that I head. Is aimed at enabling us to be more responsive to our clients, who are the developing countries of the world, to deliver the services they need to help reduce poverty in their countries. We welcome input, we welcome criticism, we learn from it, and we put in place systems that enable us to get additional comments and input on a regular basis. The work of helping countries to tackle poverty problems is a continuing learning process. Everyone in this, not only ourselves, but the countries and other organizations know something more every year that helps us change what we did in the past.

LITTLEJOHNS: And how much money is being spent in this social protection group and how many people are involved in pursuing this?

de FERRANTI: The Bank has six hundred professionals who work in the Human Development area. That includes some who work on education, assisting countries – developing countries – to improve their schools, primary schools...

LITTLEJOHNS: Mostly out in the field?

de FERRANTI: Out in the field and in our headquarters in Washington. One of the changes that we are bringing about is to move more people to the field and to move the decision making authority to the field, so that we're in a position to give answers to the client right on the spot. Education, which spans everything from primary, to secondary, to tertiary education, to early childhood development, to life long learning, universities and vocational technical skills. Secondly, besides education, health, nutrition, population, we strongly support the agendas of all UN's organizations and others in those area. And finally, social protection including pensions and assistance social assistance programs.

LITTLEJOHNS: And how much money is the Bank spending on this?

de FERRANTI: We spend about three million dollars of additional money a year. That's new money that's lent to countries so that they can address these problems. That's three billion a year...

LITTLEJOHNS: Three billion?

de FERRANTI: Three billion a year. And that means that at any given moment, we have somewhere in of excess of fifteen billion dollars of money that is assisting these countries.

LITTLEJOHNS: That's a lot of money.

de FERRANTI: It is. But it is small in relation to the needs. The challenge of the countries and for ourselves, is to make sure that every one of those dollars is used to maximum benefit, and that's not an easy job.

BASSI POUR: Mr. de Ferranti, you are just said that you are a new bank, that you have changed. Now has this changed your relationship to the UN? What is that relationship?

de FERRANTI: It has. We have a much closer relationship to UN organizations. We have a greater appreciation and we give more priority to the principle, that partnership is key to all of us. Not only our own partnership with UN organizations, but fostering partnerships among and across UN and NGOs civil society, and bilateral country organizations. There is far too much to do for anyone to do it alone. So we work very closely with the World Health Organization, we work very closely with UNESCO, with ILO, we have continuing partnerships at country level, at global level, we recognize the areas of expertise that other organizations have that we don't have. And that's a much higher priority now than in the past.

BASSI POUR: But as you explained your work, UNDP came to mind, they seem to be exactly...

LITTLEJOHNS: The UN Development Programme

BASSIR POUR: Yes. They seem to be doing exactly the same work, is there no duplication of your work with theirs?

de FERRANTI: We work very closely with the United Nations Development Programme. They have special responsibility within the community of international organizations; for being the primary point of contact within countries for working with governments. And so, we benefit from their role in that capacity and we work closely with them in countries. We have funds to make available in greater amounts than the United Nations Development Programme does. But they have a system of contacts, which we don't have. So there is a complimentary rather than a duplication.

WILLIAMS: But the money that they give are grants. Whereas the only figures you have given here so far, are loans.

de FERRANTI: Right.

WILLIAMS: When the UNDP gives something, its theirs and they count. But these people, interest has to be paid, exports has to be made, all of the usual financially stringent conditions have to be met.

de FERRANTI: Right. It is true, that some organizations including the United Nations Development Programme do have grants that they are making. In the case of the World Bank, we make loans. But we do have a special facility for the poorer countries of the world, which is called the International Development Association, (IDA) which makes loans. They're actually called credits, at very concessionary terms. There is no interests that are paid on those loan, there is a small fee for administrative costs, it doesn't meet actually all of our costs and we often waive that fee. And there are no repayments for the first ten years, and they have forty or fifty years to repay those loans. Now what happens in any kind of environment where there is some inflation – even low inflation – is that if you pay off money, forty or fifty years down the road, it is less cost to you because that amount of money stays constant even though inflation increases. So it is possible to go back and calculate that that is about eighty three per cent the equivalent of making a grant. So we are not by our charter able to make outright grants, but we are able to make these very concessionary, almost grant like forms of assistance.

WILLIAMS: But I remember something... I think it was eighteen months ago, when Mr. Wolfeson and the then
Secretary-General, Boutros-Ghali, launched an international campaign on behalf of Africa. And I checked Mr. Wolfenson at the time with the current figures for the World Bank, which showed that there were, I think, several billion dollars a year more coming out of Africa in interest payments, than were going back as loans. Which didn't seem to be doing much to promote the development of Sub Saharan Africa. Have you reversed that situation yet, or are

you still drawing down more in interest payments from these poor countries than you are returning?

de FERRANTI: A..no. We have reversed that situation, and it's important to ensure that there is a constant and a growing flow of resources into Africa from many sources, including outright grants that other organizations can provide. Including what we can provide, and including also assistance that comes through private capital flows investments. A role that we can play and that we are very delighted to play, is to give international markets, including official assistance from bilateral countries, or private investors, the confidence that will lead them to bring assistance and capital into the countries. They often look to the World Bank and to the International Monetary Fund to get our views as to whether the policies being pursued in countries are of a nature that would assure that their monies are being well spent. And we are pleased to help in that regard.

LITTLEJOHNS: Mr. de Ferranti, Afsane picked up on your mention of the new Bank and Ian had spoken of Mr. Wolfenson who of course is James Wolfenson, the president of the Bank at this time. Is this new Bank a product of James Wolfenson?

de FERRANTI: In a very real sense yes. He has brought new energy and a sense of vision that has energized the Bank, and he has had important changes that he wanted to make and he has made. He's brought in a new team, we are part of that team and it is unleashed a sense of energy within the staff and the partners of the World Bank to take us to new heights. It involves very strongly reaching out to get the views of outsiders, critics, supporters, stake holders, or owners who are the hundred and eighty countries around the world, practically every country in the world, that is a member and therefore a voting member who determines the policies of the World Bank. So we have turned around from being an organization that was too inward looking to be a organization that is putting our feet on the ground and listening to how we can learn and do better.

BASSIR POUR: And a more hands on approach, it seems to me that you're not just lending money, but you want to have more technical assistance. Now does this require a structural reform of the Bank? How does this change?

de FERRANTI: Well, it does require, and we have put in place, a structural reform. The group that I head up did not exist a little over a year ago. It is a way of bringing together and giving new emphasis to the Banks efforts overall in the areas of education, health, nutrition, population and social protection. And underscoring both internally and externally the high priority that we are attaching to these area. Because we strongly believe, and our President has said many times, that the best investment that one can make is in human development. Particularly in certain areas of human development most prominently in girls education. Our current President Jim Wolfenson and his predecessor, Lou Preston, like

to say and very strongly believed and these are two bankers, two products of Wall Street, who have thirty years or had thirty years each of experience wrestling with what is good investment or not. They very strongly believe that the best investment that one can make is an investment in girls education. They also would say to invest in a boy is to invest in a boy, to invest in a girl is to invest in a family, in a community and in a nation. Because what you do..

LITTLEJOHNS: That's a very good line.

BASSIR POUR: There you come very close to human rights. There are some countries as you well know, that don't want girls to be educated. Afghanistan obviously comes to mind. Is there any linkage between human rights and its violations and your assistance to countries?

de FERRANTI: Well, we are very much aware of human rights issues and we're working closely with organizations that have leadership roles in human rights. We're also very much aware that we can not and should not attempt to do everything or take the lead in everything. Human rights is an area that is not primarily about providing money assistance. It's about changing minds and changing behavior. We support the many organizations that take the leading role in that. Beyond that, we don't have as much support, specifically for human rights as we do in other areas...

BASSIR POUR: But you hold the most important stick, if I may use that image.

de FERRANTI: That's right, that's right and that is where we fit in. So let's come back to your point about girls education. We would see it as a value for every country, to bring to bear the views of international experience everywhere on important matters like girls education. We would challenge a country, to think carefully about the importance it's attaching to girls education, and where it is not, that it should do so. At the end of the day, it is the country to decide. We are providing assistance. If there's not adequate policies in place, we will not provide assistance. But we are not dictating to countries. We are responding, we are challenging, where we see that the international community as a whole feel that the policies being pursued make sense, we will certainly support. Where they don't, we will not and wait until a country comes up with a policy that does.

LITTLEJOHNS: This is **World Chronicle**. Our guest is David de Ferranti, World Bank Vice President and Head of the Human Development Network.

Afsane spoke about Afghanistan. Do you have a program in Afghanistan?

de FERRANTI: We do not at the moment. We certainly would be willing to when government gets to the point that it asks for one. There are many countries where we are in constant dialogue...

LITTLEJOHNS: David, you're going to have a problem that she just mentioned.

de FERRANTI: Yes, yes.

LITTLEJOHNS: With girl students.

de FERRANTI: That's right. We have many countries where we're in dialogue with but where the degree of engagement that the existing government has in critical development policies. Is not, has not matured yet. So there are many countries where we are not providing assistance where we would like to, but, our mission is to support poverty reduction of the countries that we assist. It's not to support governments. It's to support governments that in turn give priority to helping the poor. And where there are governments in power that just don't see things that way, we have to urge them to give priority to the ninety nine per cent of the population who need their help.

WILLIAMS: You have done a very impressive job so far of convincing people of the new kinder faced World Bank. But there is this problem that it had a definite reputation. And many religious traditions confession is good for both the soul and reputation. One of the reasons the World Bank had such a bad reputation as Michael was alluding to earlier, is the fact that the structural adjustment programs of the seventies and eighties, devastated countries economies and cut precisely the areas of government spending on health, on education and those social sectors you're now dealing with. Has the Bank actually made a study of those structural adjustment programs? Decided that they were wrong and sort of in a sense a redemption? Or are you trying to brush it under the carpet?

de FERRANTI: We're certainly not trying to brush anything under the carpet and we have made studies. We very strongly feel, and are committed, and have a policy, that where countries are embarking on important economic reforms, structural adjustments having been one name for major economic policy changes. That they must protect spending on and the delivery of programs for social areas and for the poor and vulnerable groups. That would include: basic education, basic health care and so on.

WILLIAMS: But this is a fairly recent policy?

de FERRANTI: No, we have always had that policy but all of us, going back in time and forward, have learned a lot about how to do that well. If one goes back to the seventies and the nineteen eighties when the new changes that were occurring at that time: the shocks, the economic difficulties the countries found themselves in, no one, including ourselves, knew always the right way to proceed. Did we need make mistakes? Yes, we made mistakes. Did others make mistakes? Yes they made mistakes. Have we been rightly criticized? Yes. Have we been wrongly criticized? Also yes. I remember being torn to shreds about the terrible things that the World Bank had done to a particular country where we had never had any operations. This is healthy though, we learn from it. And I think the experience of the seventies and the early eighties taught everyone, including countries that

embarked on changes that had nothing to do with the World Bank. What works and what doesn't. We learned more about what works than what doesn't. And it is quite clear that in the early years, there was not enough attention to insuring the spending on health and education was protected. And insuring that those programs were protected. That helped us to take the steps needed, so that in the future the later eighties, nineties, we clearly had been insisting that our support go hand in hand with safeguards and protection for basic services. Have we done studies, have others done studies? Yes, the latest study that I have seen show that the more recent years – say the last five to ten years – those countries that have adjusted, those countries that have taken fundamental economic reforms when they were needed, have done better than those that did not and needed to given their situations. Done better in the sense of economic growth which creates jobs and raises income, but also done better in terms of public spending on health and education. So we're very much aware of a wide spread perception that structural adjustment hurts health and education. The evidence to us is saying – now, no – if it's done well. In the past, yes when it was done not so well. We also hope that the continuing dialogue and debate on this issue, and we're happy to have it continue, can help everyone realize that it's terribly important when an economies are in disarray. It's terribly for the poor that policies are changed. The only worst thing to structural adjustment is not adjusting. The only worst thing to undertake in difficult changes is not to undertake any change at all. It's very hard to do, it's very hard to get it right. We have in place now systems that ensure we get regular input from people who are watching carefully from civil societies, from NGO's, what we are doing. We also have a program in place of reviewing our past experience, and there's no question that we've learned a lot in that process.

BASSIR POUR: Mr. de Ferranti, you also say that you admit you have not paid enough attention to child labor. What do you intend on doing about it? And how would this affect huge multinationals that do indeed profit from the labor of children?

de FERRANTI: We like others have learned that we need to pay more attention to child labor. We've just completed a study on it which is being released about now. In this we address both what we need to do, to do our job better and what we feel is important for countries also to do. We also recognize that there are other organizations, in particular, UNICEF; and the International Labor Organization, ILO; and several NGO's such as Save the Children and Christian Childrens Fund. Who have a long track record in being in the lead in this area. Our role is to do our part, our role is to assist them. More specifically, we are insuring that in any kind of assistance that we provide, countries respect their own laws about child labor. Now this is important because as one looks across the world, most countries do have important laws about child labor, but not all of them are well enforced. A

simple but very important step that can be taken, is whenever the World Bank makes a loan. we make sure that countries are respecting their own laws, it's not too much to ask. It's not dictating anything different than what the countries themselves have already gone on the record as saying what they want to do. And so we will check, we don't hand out money in a big lump. We have an ongoing relationship which disperses funds step by step as the right things are done. And checking on respect for child labor laws, will be a part of that.

LITTLEJOHNS: Do you send...I'm sorry, go ahead.

BASSIR POUR: Sorry. The multinationals, how would you deal with their using child labor?

de FERRANTI: Well, to the extent that multinationals might be involved in any way in any activity that's affected by a World Bank operation. For example, if we are building infrastructure, a road, if we are supporting a building of a road where many activities, private and public sector would be involved in the building of the road, let's say, we will be checking to make sure that any, – anyone involved in that operation – is respecting the laws of the country. We are also providing technical assistance and advise to countries on how to strengthen their enforcement of their own regulations regarding not only our own operations but others. We hope more and more countries will take up that offer.

LITTLEJOHNS: Mr. de Ferranti, people are very concerned about the environment these days, and rightly so. Is the World Bank your project in particular, involved in loans to countries on the specific basis of whether they are good or bad for the environment?

de FERRANTI: Yes, the World Bank is. We lend to countries for conservation and protection and improvement of the environment. Not just to prevent damage by other kinds of operations. But to ensure the long term protection of important environmental interests. For example, in countries we are protection, helping countries to protect preserves, forests; wildlife, also there's the Green Agenda of environment. There's a Brown Agenda which is....

LITTLEJOHNS: What's the Brown Agenda?

de FERRANTI: The Brown Agenda is waste water treatment, sanitation..

LITTLEJOHNS: It should be the Grey Agenda.

de FERRANTI: It could be Grey it could be good. There is also I suppose soil depletion and run off, that's a little browner. This is a very new development for the Bank. The stages have been, if one goes into the past, we like others, were not paying enough attention to environment. Then we set a stage two, phase two when we became very actively involved in ensuring that what we do does not harm the environment. And now in the last five or ten years, a very rapidly growing program to help the environment.

LITTLEJOHNS: Seems like quite a transformation in the Bank.

de FERRANTI: We're very excited about it, we're very enthusiastic.

WILLIAMS: We haven't got much time but if a private company has problems it can go into bankrupt, it can go into Chapter Eleven, have its debts written off and start off again. All across the world there are governments, their countries, which were lent a lot of money by international institutions like the World Bank and IMF, under corrupt governments. The money like in Zaire seems to have disappeared straight to a Swiss bank with touching the country. But those countries are still liable. Have you written off any debts to these countries to enable them to start again?

de FERRANTI: We have...

WILLIAMS: ...To be a part of the Highly Impoverished Poor Countries Initiative. Highly Indebted Poor Country Initiative.

de FERRANTI: We are, we started it. We are the HIPC, (Highly Indebted Poor Countries) We are strongly supporting that, we're delighted to work with as many partners as possible. This is an initiative that is specifically aimed at lightening the debt of the poorest and most indebted countries, where ever that debt comes from. If it came from us...

WILLIAMS: So how much of it is written off?

de FERRANTI: It's a long process and it has only just begun, we've only had a little over a year. We also have a special initiative on corruption. To help countries address corruption and that involves amongst other things, talking openly about corruption with our countries. Two years ago, as recently as two years ago, if you had said, could the World Bank or others be talking openly and frankly about corruption and about reducing debt, people would have said no way. And today we have these programs in place and we are pressing hard on them.

WILLIAMS: Can I open another account with your bank?

de FERRANTI: Absolutely.

LITTLEJOHNS: I'm afraid you won't be able to do it on this program, we're out of time.

WILLIAMS: Right.

LITTLEJOHNS: Mr. de Ferranti that's all the time we have.

de FERRANTI: Thank you.

LITTLEJOHNS: Thank you for being with us on this edition of **World Chronicle**. Our guest today has been David de Ferranti, World Bank, Vice President and Head, of the Human Development Network. He was interviewed by Ian Williams of the Tribune of London, and Afsane Bassir Pour of Le Monde.

I'm Michael Littlejohns, thank you for joining us, we invite you to be with us on next edition of **World Chronicle**.